

Message Text

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21

ACTION EB-11

INFO OCT-01 EUR-25 ABF-01 FSE-00 AGR-20 CIAE-00 DODE-00

PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01

PRS-01 SPC-03 SS-20 USIA-15 AID-20 CIEP-02 TRSE-00

STR-08 OMB-01 CEA-02 COME-00 FRB-02 XMB-07 OPIC-12

LAB-06 SIL-01 FEA-02 INT-08 SCI-06 NEA-11 AF-10 ISO-00

DRC-01 /234 W

----- 039550

R 211800Z JAN 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 9857

INFO AMEMBASSY PARIS

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS BONN 1061

DEPT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: GERMAN REACTION TO FRENCH FRANC FLOAT

1. SUMMARY. IN PUBLIC STATEMENTS, GERMAN GOVERNMENT REPRESENTATIVES REACTED WITH ACCENTUATED CALMNESS TO THE FRENCH DECISION TO FLOAT THE FRANC. REPRESENTATIVES OF GERMAN INDUSTRY AND BANKS (WITH THE EXCEPTION OF THE GERMAN CHAMBER OF COMMERCE), ON THE OTHER HAND, WERE HEAVILY CRITICAL OF THE FRENCH ACTION. THE LEADING GERMAN NEWSPAPERS ALSO ATTACHED THE FRENCH MOVE. MANY PAPERS EXPRESSED FEAR THAT THE FRENCH ACTION MIGHT BE THE BEGINNING OF A SERIES OF COMPETITIVE DEVALUATIONS. END SUMMARY.

2. IN A SUNDAY TELEVISION INTERVIEW CHANCELLOR BRANDT STATED THAT THE FRENCH ACTION DOES NOT INJURE OR AFFECT THE FRENCH/GERMAN

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COOPERATION AND FRIENDSHIP AT ALL. FINANCE MINISTER SCHMIDT RE-

ACTED TO THE FLOATING OF THE FRANC WITH "UNDERSTANDING" BUT ADDED THAT THE FRENCH SOLO ACTION "IS CERTAINLY NOT TO BE BOOKED ON THE SIDE OF EUROPEAN PROGRESS." A FDP SPOKESMAN EXPRESSED HOPE THAT AFTER SIX MONTHS FRANCE WILL RETURN INTO THE FLOAT CURRENCY BLOC.

3. THE GERMAN INDISTRY REACTED WITH "CONSTERNATION AND CONCERN" TO THE FRENCH MEASURE. THE PRESIDENT OF THE FEDERAL ASSOCIATION OF GERMAN INDISTRY, HANS-GUENTHER SOHL, COMMENTED THAT THE FRENCH ACTION DECISIVELY WEAKENED THE EUROPEAN MONETARY BLOC AT A TIME WHEN ENERGETIC STEPS TOWARDS MONETARY AND ECONOMIC UNION WOULD HAVE BEEN BOTH NECESSARY AND POSSIBLE. THE FEDERAL ASSOCIATION OF GERMAN BANKS CONSIDERED THE FRENCH MOVE TO BE "A SEVERE SETBACK FOR EUROPE." IN ITS VIEW THE OIL CRISIS HAS PROVEN TO BE THE "EXPLOSIVE CHARGE" FOR EUROPEAN INTEGRATION. THE GERMAN CHAMBER OF COMMERCE (DEUTSCHER INDUSTRIE- UND HANDELSTAG) COMMENTED QUITE DIFFERENTLY. IN THE CHANBER'S VIEW FRANCE HAS ACTED IN A "FAST, DETERMINED AND APPROPRIATE WAY," AND, THEREBY, "PREVENTED NEW MONETARY UNREST."

4. THE FRANKFURTER ALLGEMEINE ZEITUNG (FAZ) CRITICIZED MOST HEAVILY THE FRENCH MEASURE BY STATING THAT PARIS ACTED ACCORDING TO THE SLOGAN "EVERYONE FOR HIMSELF." THE FAZ CONSIDERED THE MEASURE TO BE A FURTHER DANGEROUS BLOW FOR THE EUROPEAN COMMUNITY. THE PAPER POINTED OUT THAT FOR THE SAKE OF FRANCO-GERMAN UNITY THE FRG HAS MADE MANY SACRIFICES SO THAT IT IS THE MORE PAINFUL THAT FRANCE, BY ITS ONE-SIDED ACTION, TRIES TO GAIN COMPETITIVE ADVANTAGES FOR ITS EXPORTS. THE FAZ FEARS THAT THE FRENCH MOVE MIGHT BE THE BEGINNING OF A "DEVALUATION RACE" FOR COMPETITIVE ADVANTAGES WHICH WOULD ONLY RESULT IN LARGER DISTORTIONS OF INTERNATIONAL ECONOMIC RELATIONS AND FINALLY END WITH THE DESTRUCTION OF FREE WORLD TRADE. DIE WELT COMMENTED THAT POLICIES LIKE THE ONE APPLIED BY FRANCE TURN BACK EUROPEAN INTEGRATION, WEAKEN TRADE CONNECTIONS, MAKE DEVELOPMENT AID USELESS AND PREVENT THE CREATION OF A NEW MONETARY SYSTEM BASED ON FIXED EXCHANGE RATES. HOWEVER, SHOWING SOME UNDERSTANDING FOR FRANCE, DIE WELT CONTINUED THAT THE FRENCH MEASURE WAS PRIMARILY THE RESULT OF THE ARABIAN OIL PRICE POLICY.

6. THE BONN GENERALANZEIGER REMINDED THE GERMANS TO KEEP WITHIN UNCLASSIFIED

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BOUNDS "INDIGNATIONS ABOUT THIS RETURN TO NATIONAL EGOISM, BECAUSE WE TOO ONCE LET OUR MARK FLOAT." THE NEWSPAPER CONSIDERED IT TO BE A CONSOLATION FOR BONN THAT THE BUNDESBANK MUST NOT ANY LONGER SUPPORT THE DECLINING FRANC "AND THIS IS GOOD FOR OUR STABILITY POLICY."

7. THE SUEDEDEUTSCHE ZEITUNG CRITICISED THE EUROPEAN COMMUNITY MEMBERS FOR PUTTING THEIR OWN STATE INTERESTS FIRST, AND CONCLUDED

THAT "FRANCE'S ACTION THREW THE FLOAT PROGRAM INTO THE SEINE. DOWN
IT GOES -- AND WITH IT THE HOPE THAT WAS DECEPTIVE TO BEGIN WITH."
HILLENBRAND

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN EXCHANGE RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 21 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BONN01061
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740128/aaaabanr.tel
Line Count: 118
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 26 FEB 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 FEB 2002 by chappeld>; APPROVED <29 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GERMAN REACTION TO FRENCH FRANC FLOAT
TAGS: EFIN, GE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005